



Money for the People

GTI Roundtable

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If we want a more just and sustainable economy and economics, we will need to rethink our approach to money. Mary Mellor argues that the privatization of money has been the main driver of social and ecological exploitation, and only a democratic system of public money can help us achieve systemic changes. Our panel discusses the future of money and finance and the role of democratization, decentralization, and public control.

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Money for the People

Mary Mellor

Abstract: Local initiatives can lead to modest gains in sustainability, but not the large-scale transformation we need. Meeting that challenge will require, among other critical factors, substantial changes in how we create and use money. As its history demonstrates, money is a social and political construct. It is the privatization of money—and not money itself—that has fueled social exploitation and environmental destruction. Money could, by contrast, help advance a Great Transition—but only if it is reclaimed for the public. Contrary to neoliberal assertions, the state can create money free of the debt that drives destructive growth and fosters inequality. Such public money can facilitate the provision of economic security and sustainable livelihoods for all. But for such a system to work, there must be robust democratic control over monetary decision-making along with vigorous oversight of its implementation.

Why Money?

If we want to transition to a more just and sustainable society, then we need to be clear about where we are today.¹ The majority of the world's population—in both developed and developing countries—now lives in urban areas. This demographic reality is unlikely to change as people have shown no eagerness to return *en masse* to rural livelihoods. Local, face-to-face innovations in production and exchange can be important steps, prefiguring the progressive society-wide changes needed. However, they are most appropriate for relatively self-contained areas, and cannot aggregate to the systemic transformation required.

In the contemporary world, provisioning, the creation and distribution of basic goods and services, depends on money.² Most people live in market economies with moderate- to long-distance supply chains. Under market-driven capitalism, individual livelihoods and public services depend on the success of the market, and money functions both as the medium of exchange and as the driving force behind market participation. The primary aim of the capitalist market economy is not the provision of essential goods and services for the people, but the investment of money and labor in activities that provide even more money (i.e., profit) for the owners of capital. This results in a two-step economy: people work to secure an income in order to pay for the basic goods and services they need to survive. And because work is necessary for survival, and the market determines its purpose and availability, people can end up in jobs that are harmful to themselves, others, and the environment.

Money has rightly gotten a lot of bad press. The love of money, or avarice, has been blamed for overconsumption and the exploitation of people and the planet. That said, it is difficult to envision how goods and services could be produced and circulated on a large scale without some mechanism to facilitate comparisons of value and the exchange of goods and services. It is not money itself that is the source of the imbalance in our relationship to one another and nature, but rather the way money is created and circulated in modern market economies.

The existence of money, importantly, does not entail the existence of a market, for some form of money has been around in almost all human societies. Money simply provides a recognized unit of value. That unit can be a price in the market, but it can also be the size of a gift or a measure of need. Equating money with coinage, as is commonly done, confuses form with function. It implies that money *embodies* value when it simply *represents* value. Money can take the form of something with use value (cattle, grain), something with social value (a special stone, shells), something with little or no value (paper, wood, base metal), or even something with no physical form (bank transfers, verbal promises). The unit of value may be either tangible (sheep, beads) or intangible (pound, dollar, euro).

Money, in other words, is a social and political construct. Using money does not intrinsically encourage human exploitation or ecological destruction. It is neoliberal

Money is a social and political construct.

There is widespread misunderstanding of what money is.

capitalist ideology that puts monetary gain above social and ecological concerns, and it is the private, bank-issued money system that leaves us with a pernicious cycle of debt and growth. Money could encourage socially and ecologically sustainable production and consumption, but only if it ceases to be a creature of the market and is reclaimed as a social and public representation of value.

Visions of ecologically sustainable communities often look not to the state, but to the social economy, which occupies a space between the state and the market.³ Key features of the social economy such as community enterprises, cooperatives, and local markets based on local money are all beneficial, but they are insufficient for a Great Transition. Creating a just and sustainable future is a massive undertaking that will require a level of coordination that only the state can provide. We thus need to look at the potential of democratically governed economies in which money is treated as a public resource for sustainable provisioning.

However, neoliberalism, which has influenced so much of the conventional thinking about money, is adamant that the public sector must not create (“print”) money, and so public expenditure must be limited to what the market can “afford.” Money, in this view, is a limited resource that the market ensures will be used efficiently. Is public money, then, a pipe dream? No, for the financial crisis and the response to it undermined this neoliberal dogma. The financial sector mismanaged its role as a source of money so badly that the state had to step in and provide unlimited monetary backing to rescue it. The creation of money out of thin air by public authorities revealed the inherently political nature of money. But why, then, was the power to create money ceded to the private sector in the first place—and with so little public accountability? And if money can be created to serve the banks, why not to benefit people and the environment?

Myths about Money

One of the most significant obstacles to reclaiming money for the public good is the widespread misunderstanding of what money is. The conventional history of money rests on a series of myths that obscure its social and political origins. The first myth is that money and the market share a common origin, with modern money-based economies emerging from non-money barter. There is no historical evidence of widespread barter-based economies, and money, as the next section will explain, has a far more complex social and political history. The second myth is that money originated as precious metal coinage. While money has at times been made of such metal, it has also taken far less valuable forms whose use long predated the invention of coinage. Seeing money as made of something valuable (gold, silver) suggests that money is desirable in itself, an embodiment of value. Recognizing that money is valueless in itself (base metal, wood, paper) helps one to see it as a token representing a social relationship—what it really is.

Assumptions about the historical importance of precious metal coinage gave rise

Far from being a product of markets, coinage was created and controlled by rulers.

a third myth: that banking activity emerged from the management of precious metal deposits that eventually came to be represented by paper money and accounting records. In reality, banking activity originated long before precious metal coinage, with accounting records as a central feature. This historical misapprehension, in turn, helped create a fourth myth: that banks today merely link savers (depositors) and borrowers. As has been increasingly recognized by the Federal Reserve, the Bank of England, and the International Monetary Fund, and has long been argued by monetary theorists, banks, in fact, create new money when they make loans, crediting deposits of previously nonexistent money to the accounts of those who receive them. Public monetary authorities retain a monopoly on the production of cash (notes and coin), but the money that banks create is also part of the national money supply and circulates through the economy as such.

These widespread myths all rest on a misreading of the history of money. So what is the real history?

A Brief History of Money

The earliest forms of money were used almost entirely in social contexts, e.g., payments and fines for injustice or injury, dowries, and gifts to build social solidarity or avoid conflict. As centralized states emerged, money appeared in new forms such as tribute payments, state expenditures, and taxation. In the earliest states, the use of money was recorded in hieroglyphs or represented in token form as clay tablets. Autocratic rulers with administrative centers in palaces or temples determined the form and available supply of money. All of this occurred thousands of years before the appearance of coinage around 600 BCE.

Far from being a product of markets, coinage was created and controlled by rulers and played a central role in the growth of the Greek and Roman empires. Coinages were associated with particular centers of power because the creation of money confers the benefits of first use, such as seigniorage (the difference between the face value of a coin and its cost of production). The power to create and circulate money is likewise linked to the sovereign power to tax. Rather than relying on the traditional receipt of tribute, a ruler could pay for goods and services with money that could later be reclaimed through taxation.

Commodity markets gradually emerged alongside city-states and empires. While merchants used the money created and controlled by the governments, they also developed their own as a means of dealing with value, debts, and payment. This new commercial money took the form of verbal or written promises or physical representations such as tally sticks (a promise to pay etched into a stick which was then split down the middle, the two parties each taking half). Central to this commercial money, whatever form it took, was debt: one person's obligation to pay back another.

The emergence of the capitalist epoch, with its paper promises and modern

Our reliance on debt has become socially, ecologically, and economically unsustainable.

banking, saw the gradual privatization of the sovereign's power to create money. Constant conflict, resistance to increases in taxation, and shortages of precious metals weakened the grip of rulers. Control of money fell into the hands of the newly emerging economic elite, and rulers became increasingly dependent on borrowing. Over time, states built up large national debts to their banking sector, creating the financial dependency we see today.

A crucial step in this privatization process was when commercial money became the public currency. The Bank of England, for example, was originally formed in 1694 to make loans to the state. As time passed, its notes, backed by a nebulous "promise to pay," were designated as currency. Eventually, all banks stopped issuing money in their own names, instead issuing it as public currency (e.g., pounds sterling). This step resulted in two major changes. First, the public became the backstop for the banks that were creating money in its name. Second, whereas the sovereign could create money free of debt, the banks could not. Money created and lent by banks must be repaid with interest. This critical difference drives growth because new debt is created to repay old debt. And if this debt-based system falters, so, too, does the money supply.

Today, our reliance on debt has become socially, ecologically, and economically unsustainable. It is socially unsustainable because creating money as debt exacerbates inequality. Money flows to those most able to pay back loans with interest—a dynamic that enriches the rich and traps the poor in long-term debt relationships. It is ecologically unsustainable because creating money through debt drives economic expansion. If loans are to be repaid with interest, there must be growth of some form. This does not necessarily cause ecological damage (it could just bid up the price of existing assets), but there is certainly no basis for degrowth or even a steady state economy. It is economically unsustainable because basing the money supply on debt will eventually lead to crisis when governments, businesses, and citizens cannot or simply will not take on any more debt.

Orthodox economics cements the growth imperative. By treating money as the embodiment of value generated in the market economy, it ties money creation to commercial profitability and economic growth. Economists and policymakers often portray government spending as akin to that of a household. Public sector expenditures, they argue, depend upon commercial "wealth creation" in the same way that a household's spending is dependent on the earnings of the breadwinner.⁴ The more productive the economy, the more taxable income is available for public purposes. As a result, for those concerned with meeting public needs, growth is good, no matter the long-term cost.

The orthodox view of the economy ignores many other important sources of value—unpaid domestic labor, community, conviviality, and ecological resilience. There is an obvious desire to simply protect these areas from commodification, but doing

that alone would leave the rest of the system intact. Instead, we need to reshape the monetary system to prioritize what really matters and devalue the current preoccupations of market capitalism.

We should start by treating money as an active force, rather than a passive one. In conventional economics, money flows through the economy reflecting expenditure and investment choices. But the crucial question of how money enters or leaves the economy is left out. History shows that there are two agents—states and banks—that can create new money. The use of this money, in turn, creates new forms of wealth. Historically, rulers raised armies and built forts and palaces. Banks created credit for trade and production. In modern states such as Britain, new money has provided consumer credit, particularly mortgages, turning houses into financial assets rather than just places to live. In contrast, money created to foster provisioning based on concepts of sufficiency and social justice would aim to create “wellth,” that is, well-being for all.

Reclaiming Money for the People

The social and public heritage of money needs to be reclaimed and its governance democratized.

The social and public heritage of money needs to be reclaimed and its governance democratized. Money can represent social and public value, not just commercial and private value. And rather than being only a mechanism for profit-driven exchange, money can be a tool for the provision of goods and services people actually use and for guaranteeing everyone a right to livelihood, for example, through a basic income.

While the commercial use of money drives growth, the public and social allocation of money would provide people with what they need directly, thereby supporting a one-step rather than two-step economy. The development of a one-step economy is essential to a Great Transition to a just and sustainable society. By relieving people of the need to undertake unsustainable and unnecessary work in order to obtain money, it would reduce ecological strain and economic inequality. And by freeing people from a dependence on the market, it would create more time for the avocational, personal, social, and convivial activities that make life worth living.

Neoliberal economics denies that all of this is possible. Indeed, politicians routinely claim that there is “not enough money” for our basic social needs. But despite the claims and strictures of neoliberal ideology, states can and do “print money.” First, it is produced *ex nihilo* by central banks to provide cash and support for the money-creating activities of the banking sector. Second, money is created and circulated as the government spends, in the same way that banks create money as they lend. States spend money and then offset their expenditures against tax revenue and other income received. States, however, do not fill their tax accounts *before* they spend: the balance between public expenditure and public income only becomes clear *after* the expenditures have occurred. The political choice at that point is what to do with any “deficit,” that is, the surplus of expenditure over income. The extra money created by state expenditures could be left to flow around the economy,

A shift from profits to provisioning would put the main focus of the economy where it belongs.

producing in effect a perennial “overdraft” at the national bank. Or the deficit could be shifted to the financial sector through “government borrowing,” thereby increasing the national debt (as happens in most capitalist economies).

All modern currencies are “fiat money,” created out of nothing, their value sustained by public trust and state authority. So why are states and their citizens shackled in debt? Why can’t the people simply create the money they need free of debt? Why can’t that money be circulated in a not-for-profit social or public sector? Why base the principles that govern our economic system on the butcher, the baker, the candlestick maker, and the hidden hand of the market rather than the doctor, the teacher, the care worker, the artist, and the not-so-hidden hand of a solidarity economy?⁵ As these questions make clear, freeing ourselves of misconceptions about money opens the door to new possibilities for driving a transition to a just and sustainable economy.

Control of the money supply and, more generally, the monetary system confers a tremendous amount of power. Can we entrust the state with it? Neoliberals warn of the dangers of state intervention in a market-based system. Proponents of social and local economies likewise harbor suspicions of the state, particularly its distant and opaque bureaucratic apparatuses. But without an expanded role for the state, many people will continue to fall through the gaps in the market and voluntary sectors. However, since many states have proven to be inefficient, corrupt, and autocratic, a public money system would be acceptable only if it were more robustly democratic. We cannot assume that public authorities will use money wisely unless they are subject to democratically determined mandates and effective public scrutiny. Exclusive control of the money supply must not simply be put in the hands of the government in power or the state apparatus and left unchecked. Public management of the creation and allocation of money must be transparent and accountable.

Democratizing Money

A shift from profits to provisioning would put the main focus of the economy where it belongs: on the sustainable meeting of needs. That goal would be met through a combination of a basic income (that is, a monetary allocation to each individual as matter of right) and a budget for collective expenditures on public services and infrastructure. The democratic process would entail the development of party platforms followed by participatory budgeting, in the process described below.

At national and regional levels, political parties would propose an overall allocation of funds among the social, public, and commercial sectors—as well as levels for the basic income—as part of their election platforms. Actual allocations would be those of the parties in power. Money to fund these democratically determined allocations would be provided through grants or loans administered by banks, using funds provided by the central bank and operating under social, public, or cooperative

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structures. In this process, the utilitarian purpose of banks—holding deposits, conducting transactions, and balancing accounts—would be preserved, but they would no longer be able to create money or engage in speculative finance. Where the private sector requires loans for sustainable and socially just investment, this would be accommodated by either an allocation of public money via these banks for lending or a transfer of existing money from private investors.

Public expenditure would be through direct spending of money created free of debt. Citizen and user-producer forums would identify specific public expenditure needs, providing input into local, regional, and national budgets. Given the complexity of the process, these budgets and the corresponding allocations would be set for at least a five-year period, with a modest margin for interim adjustments. Adoption of a participatory and transparent approach to decision-making would militate against domination by any particular group or body. The setting of long-term budgets would ensure that governments could not substantially amend proposed money creation or expenditure levels during the run-up to elections.

Because such a system would result in a massive increase in public expenditure, a phase-in would be prudent. Even with that, the additional money flowing into the market sector could increase the threat of inflation in the short term. But reconceptualizing the role of taxation offers a way to address the problem of inflation. In the conventional view, the state is dependent on tax revenue extracted from the “wealth-creating” private sector. Public expenditure is a burden on the hard-working taxpayer—who is almost never portrayed as a beneficiary of public services. If money is created exclusively by the commercial sector, the conventional view is in many respects correct. The public sector is dependent on the money raised by taxation, and absent borrowing, taxation must precede public expenditure. On the other hand, if money is created and circulated initially by the public sector, then there is no need to “raise” money through taxation. Rather than preceding public expenditure, taxation would follow it, retrieving publicly created money from circulation in amounts sufficient to keep inflation in check. If the public sector is much larger than the private sector, taxes might have to be quite high.

While levels of budgets and basic incomes can be determined through an open, democratic process, the assessment of the impact of public expenditure on the commercial sector would require technical expertise. This situation is no different from what we see today: experts in monetary policy try to anticipate and then propose actions to address inflationary pressure, usually by adjusting key interest rates. As is the case today, estimating the impact of public expenditures would be a hit-or-miss process, but a necessary one nonetheless. A committee of experts would make an assessment of the amount of public money the commercial sector could absorb without too great a rate of inflation and, correspondingly, the overall level of taxation required. The expert assessment would have no role in determining how much public expenditure there would be or how the required taxes would

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be applied. That is where the public would come in, debating questions of what amount to spend and whom, what, and how much to tax.

The model of public money and taxation just described reflects how money flowed before the commercial domination of the monetary system. Sovereign rulers issued money in various forms to pay for goods and services and then retrieved the money through taxation. Today, the people should be the sovereign. Under a system of public money, the people would make payments to themselves for goods and services provided for their benefit, then return that money to themselves via taxation. The process could be accomplished entirely without money, but that would be an administrative nightmare.⁶

Effectively exercising the public's right to create and spend its money would require a wide range of democratic decision-making. Questions about the level of taxes, redistribution of income and wealth, whether to tax resource use or land, which expenditures should be taxed, etc., would need to be democratically determined. However, given the basic income and extensive public services included in the proposal, there would be much less need for the accumulation of wealth or for investment programs such as pensions, which are major drivers of growth. This, in turn, would justify even greater taxes on existing wealth. Moreover, since there would be less need for investment opportunities, public money could be created and used to purchase natural resources and utilities currently in private hands, bringing them back under public control.

Another important focus of democratic participation would be the enhancement of public spending oversight. All organizations that received a direct or indirect allocation of public money would need to have clear mechanisms for democratic accountability and transparency in place. Interested citizens along with workers and user groups would monitor their expenditures and business practices on a regular basis. Such monitoring would minimize the possibility for abuses, such as overleveraging of the financial sector and corruption in the public sector, which have plagued the current system.

Conclusion: Debt-Free Public Money for Sufficiency Provisioning

A public money system would enable a one-step economy in which individuals no longer have to undertake socially or ecologically harmful work in order to secure an income. Participation in the market would no longer be essential, as money would reflect an entitlement to livelihood, not just the market value assigned to work. Paid work would continue, but it would focus on democratically determined priorities. Caring for each other and for the planet and building a just society, not financial speculation and resource extraction, would be recognized as the real sources of wealth. New metrics would track and guide progress, with a shift from Gross Domestic Product to a notion of Gross Domestic Provisioning that measures overall "wellth," that is, well-being.

Let the power of public money now be used to provision the people.

In a transition toward an economy that prioritizes provisioning over profit, we must be attuned to the interplay between meeting our own needs and protecting the environment. For example, substantially reducing energy use would have profound effects on domestic work, as the latter would be much harder without labor-saving (but energy-using) devices. Birth control has helped reduce environmental strain by keeping population growth in check. But slower population growth, or even decline, has also led to aging populations with relatively fewer people available for both productive and care work. A major focus of a future provisioning system will, therefore, need to be care for the elderly. Although today this responsibility tends to fall upon the shoulders of women as unpaid or underpaid work, it can become a major source of meaningful work and societal wealth.

Reorganizing the economy around publicly created money is not utopian. It simply requires recognizing and reorienting what has existed in the past and what we, in fact, fall back upon today. In the wake of the financial crisis of 2007/8, the power of public money was made clear when governments used it to rescue the banks and other large businesses, such as auto manufacturers and insurance companies. Let it now be used to provision the people.

Endnotes

1. This essay is based on my book *Debt or Democracy: Public Money for Sustainability and Social Justice* (London: Pluto, 2015).
2. This essay adopts the feminist notion of “provisioning,” which embraces currently uncoded areas of human need and the resilience of nature. For more on this concept, see Marilyn Power, “Social Provisioning as a Starting Point for Feminist Economics,” *Feminist Economics* 10, no. 3 (2004).
3. For more information on the social economy, see “Social Economy,” Organisation for Economic Cooperation and Development, 2017, <http://www.oecd.org/cfe/leed/social-economy.htm>.
4. I refer to this concept and the related myths that the government must “live within its means” as “handbag economics,” as discussed in *Debt or Democracy*.
5. For more on the solidarity economy, see Peter Utting, “What is Social and Solidarity Economy and Why Does It Matter?” From *Poverty to Power* (blog), April 29, 2013, <https://oxfamblogs.org/fp2p/beyond-the-fringe-realizing-the-potential-of-social-and-solidarity-economy/>.
6. The case of the babysitting circle demonstrates the usefulness of money. Every participant does the same task (babysitting) and the group is small (a dozen or so families), but the system is much easier to administer with tokens than with an array of bilateral personal arrangements.

About the Author



Mary Mellor is Professor Emerita at Northumbria University in the UK, where she taught social theory and was founding Chair of the University’s Sustainable Cities Research Institute. Throughout her academic career, Mellor has been concerned with the need for social change. Her initial research area was the social economy, with a focus on cooperatives. In the 1980s, her exploration of the ecofeminist movement resulted in two books, *Breaking the Boundaries* and *Feminism and Ecology*. In the 1990s, she developed her current area of interest, alternative economics, combining environmental, socialist, and feminist ideas. This led to a fundamental rethinking of how current economies function, particularly with regard to the role of money, manifest in the books *The Politics of Money* (co-authored), *The Future of Money*, and *Debt or Democracy*. She is currently working on a new book on the history of money.



Roundtable



Christopher Barrington-Leigh

I find the subject of “monetary reform,” or rethinking our strange monetary system, to be a very interesting topic, and I’m grateful to Mary Mellor for introducing it to the GTN, and for laying out some of the transformative ideas that often get connected with it. However, I find grave fault with her logic.

Mellor starts out with compelling grand claims, including that our money system is responsible for social and environmental exploitation. Reading these same claims nineteen years ago precipitated my early midlife crisis and a change of career, after twelve years in physics, to economics. In particular, the claim that our “debt-based money system” necessitates “growth” (Mellor’s “pernicious cycle of debt and growth”) is a widely held belief amongst “monetary reformers” and tends to rest on shaky grounds.

Like countless monetary reformers before her, Mellor writes, “Money created and lent by banks... drives growth because new debt is created to repay old debt.” Can one really think that if you could argue such causation through the simple logic that it is often given, economists would not be studying it? One may have good reason to be skeptical of economists, but if one has any idea how many economists, and for how long, have looked for (new) causes of economic growth, one would be likely to ignore claims like Mellor’s on principle.

One way to understand this issue better is to consider a hypothetical world without growth, in which banks create money out of nothing when making loans. Here is what I wrote to Herman Daly in February 2005:

Consider the following world (basic Overlapping Generations model, easily formalised):

- Resource flows are constant. Population is constant. No aggregate growth (i.e., neither material

nor monetary). But each human earns=produces=harvests more during his “youth” than during his “old age.” Think of there just being two groups: the Young and Old at any one time. The number of houses is constant. People like to start living in houses before they are fully able to pay for them. Thus they take loans/mortgages. While Young, they work to pay the loans off. In effect, the physical fruits of their labour go to the current Old (value of the principal of the loan, i.e., the value of the house) and to the Money Lender (value of the interest) and to themselves (they eat what’s left). When Old, they sell their houses to the next Young generation, and use the proceeds to buy the physical fruits from the Young.

The money supply is constant. Those who give out the mortgages (the wealthy? the government?) get some payment (ultimately in real terms), but this does not mean anything grows.

There is no “growth” going on overall—just cyclic productivity of the humans as they grow up and grow old and die. In the above description, there need not even be physical capital besides the houses: the Young workers produce fruit, and the Old, the Moneylenders, and the Young eat it.

Simple modifications to this model are also neutral to growth:

If, instead, the Old die still owning some value, you still don’t get capital accumulation, and the issue has nothing to do with money. The extra wealth is going to (i.e., being eaten by) the Young when they are Children, say.

The Money Lender willingly gives a loan to the Young but not to the Old because they can expect to pay it off, not because something aggregate is growing. If you like, human capital is growing in the Young humans who will be more productive, but such “growth” is balanced by the human capital depreciation when they grow Old and die. In aggregate, there is no growth. But there’s still a role for money, and it is still worthwhile to pay interest, to mediate between the generations.

Adding inflation/money supply growth/etc. does not change anything in real terms.

A very analogous story can be told about a capitalist society consisting of firms rather than fruit

pickers. If there are business cycles, for instance, or any fluctuations in demand (or productivity), firms will borrow to pay costs (pay new labour, or investment) when future sales are expected to be high and will not invest (i.e., let capital depreciate and not hire labour) when future sales are expected to be lower. There need be no growth, no firms going bust, and for simplicity even no physical capital. The firms could be in phase (business cycles) or out of phase (more like the generations of humans).

The Money Lenders are being paid some real output for their “service” in mediating “consumption smoothing” or “investment smoothing” for different entities in different phases of a life cycle.

Note that the above is not meant to be a model of everything in our economy. It simply debunks the claim that there is something intrinsic to interest-bearing loans that causes growth in materials or economic activity to occur.

When all is said and done, I suspect this issue comes down simply to a power struggle over one of the possible means of providing government revenue. The banks have taken over seigniorage from governments, and the banks are much too powerful for anyone to take up the issue and not have their political career destroyed (except in very exceptional circumstances such as the recent financial crisis, as Mellor points out). Beyond the fact that regaining more of that seigniorage, say by requiring a 100% reserve ratio, would provide some revenue during times when the money supply was expanding, it's not clear that anything else is guaranteed to come with monetary reform, and nothing in particular can be achieved that couldn't be achieved now through appropriate use of public funds and rules.

In any case, I agree that “the crucial question of how money enters or leaves the economy is left out” of conventional economics, and it's not clear why. Why do monetary economists (who largely think about other stuff like sticky prices, etc.) not think about varying the reserve ratio? Or rather, why are they so sure that it doesn't matter? This I find troubling.

In modern times, we must also think about technology when we think about monetary reform, since our current monetary system is largely an accident of history and technological change (we don't use cash much anymore). Some kind of electronic form of cash is possible (along the lines of

cryptocurrencies, yet democratically controlled) and might be the way to win the seigniorage struggle. Indeed, why did the Canadian Mint's monetary innovation, called MintChip, suddenly get scrapped under our previous Prime Minister, after it had been largely designed/developed?

Apparently Canada is now/again doing some R+D on its own cryptocurrency (citation: last week's Economist), which I consider great news. I'd guess that government-run digital currencies could fill the role of both cash and our checking/savings accounts, meaning they could effectively move us back towards a higher-reserve system. Expect huge push-back from the banking industry.

About the Author



Christopher Barrington-Leigh is an Assistant Professor at McGill University, joint between its Institute for Health and Social Policy and the McGill School of Environment, and an Associate Member in McGill's Department of Economics. His research focuses on empirical and quantitative assessments of human well-being, and their implications for economic, social, and environmental policy, using large international as well as national surveys, experiments, and economic theoretical modeling. His other research pursuit addresses issues in environmental economics, including urban road networks, urban forms, and their implication for climate policy. He holds a PhD in Economics at the University of British Columbia.



John Fullerton

Let me start with a disclaimer. While I did indeed spend nearly twenty years inside JPMorgan (when it was a mere glimmer of its current self, thankfully), I am the first to say that anytime I am asked about money, I respond by saying, “I don’t understand it well enough to make a useful, much less comprehensive, statement.” Now with the advent of blockchain technology, which my gut tells me could be a profoundly transformational technology as it relates to systems of exchange, I feel even more ignorant.

Having said all that, I would like to make a few points.

(1) I largely agree with Mellor’s description of money and the history of money; however, I believe there is some misunderstanding about the value of seignorage to private banks, which is one of the arguments for shifting to public money. To put it concisely, I maintain that it is misleading to say that banks get a windfall from seignorage which should logically be a public good. Banks do indeed earn profits from lending (or they have gone out of business or been rescued to try again), and banks fund themselves at a lower cost than they would without the explicit and implicit government guarantee to their depositors, and even to their uninsured creditors and counterparties (especially too-big-to-fail banks). But they also compete to lend, with each other and with the capital markets. And they need to hold capital against their lending book as a buffer for losses, more now than before. The result is a relatively low “return on equity” business, not a windfall on the backs of the public.

That’s why banks have switched to an “originate and sell” model. It is much more profitable for them to take origination fees and not tie up capital holding the loans on their balance sheets (all else equal). But, of course, this creates all sorts of problems as well, as we saw with the mortgage crisis.

My point here is that if banks didn't create money, but just intermediated money created by the government, they would not lose a seignorage windfall, although it's hard to imagine that the impact wouldn't include less lending, which of course is both good and bad. If the public sector took on the credit risk as with public banks, then that activity should need economic capital buffers as well (lending is risky and will always generate credit losses). If the goal is to restrain private banks lending for speculation (in real estate and securities), a goal I strongly endorse, that can be done within the current private money system with regulations and or capital charges if we had the desire and political will. The truth is, we don't even distinguish between speculation and real investment!

Having said all this, I too endorse the use of public money to address critical gaps that the market economy is failing to address. At the top of this list is the trillions of renewable energy infrastructure that don't fit the private banks' business model and demands low cost of capital (The US government has the lowest in the world, an asset we need to deploy in this global emergency) to make projects "economic." I, along with others, call this "qualitative easing." How to govern this alone is a major challenge. But it's the place I would like to see us start on a regional scale around the world.

(2) I am also intrigued by Mellor's distinction between profit and provisioning. However, I believe this is to some degree a simplified or even false choice, and the world of economics is far more complex and subtle. Is the upcoming iPhone 8 merely a market seeking profit, or the natural extension of a revolutionary innovation that enables billions of people access to banking and other services they previously had no possibility of imagining (without a smart phone)? The answer, of course, is that it is both. But I doubt we will ever be able to separate them or predict them in advance. Once the smart phone was invented, something the free enterprise system is good at doing, then the "unnecessary" iPhone 8 and all the related apps become the inevitable logical extension. We take the "provisioning" with the "profits" more often than not, I think. Of course, there are vast amounts of essential provisioning that markets don't address, and are not designed to address. Wrong tool. For this, Mellor's distinction is totally valid. But again, I would suggest a both/and approach rather than either/or with respect to money will lead us in the right direction.

(3) I am not optimistic about a functioning democracy, which Mellor builds her proposal upon, less so today than a year ago! But I am also nervous about grand and somewhat binary proposals built on speculative foundations such as "assume functioning democracy." If we first prove we can do

democracy, then perhaps we try our hand at democratic money. But even then, I'd prefer starting with some experiments. Mellor rightly points us to the central bank printing experiment of trillions of dollars to support the financial system in the wake of the 2008 collapse. That was an experiment...an ongoing one at that. But hey, it worked! (Even if we disagree with the goals of the experiment.) The world did not end, and we're not rushing around with wheelbarrows full of cash in a hyperinflation as the "experts" would have predicted. We must build on that learning, and we must begin by acknowledging this reality.⁽⁴⁾ Simply establishing the case that the government can indeed print money (if it has its own currency—which means Europe has a whole different challenge as a result of the euro) if it chooses to without inflation exploding should be a focused priority. We still live under the naive "too much money chasing the same amount of goods" understanding of inflation, and a "balance the check book" mentality which fails to distinguish the difference between a household and the State that issues its own currency, so we generally have a gut response that printing money must be unacceptable and even morally corrosive. This view is reinforced by politicians and their many "bridges to nowhere" and other forms of corruption and waste. So this is a big task, just to establish an understanding for the theory and see that it's correct. See Randall Wray and the Modern Monetary Theory (MMT) crowd; it's all there, except I'm not sure even they have fully figured out the limits of government money printing, which I believe must exist. And I think it is more complex than "up until there is full employment." There are feedback loops at play, and it can be extremely complex to get one's head around.

(5) I am no apologist for private banks as those who know my work will attest. But not all banks are bad banks. Case in point is the Global Alliance for Banking on Values (GABV) banks, who are committed to do what we would all agree is good productive banking. This is not PR or greenwashing for the most part. I say we need many more of them! And they are private banks, and I for one would not want to take away their ability to lend money into existence in service of the real economy we all want. It must also be acknowledged that even the big Wall Street banks do good productive lending as well as way too much speculative lending. So again, it is complicated. Private enterprise, including in banking, has many positive attributes I would not want to throw out with the bathwater. I worry that Mary's approach lacks an appreciation for the many good babies out there which we want to nurture while letting a thousand flowers bloom.

(6) I would like to end with a final point on the "growth imperative" of money, which generated a lot of discussion. I can offer many simple examples of a shrinking business (degrowth) that can

generate a positive return on investment. It is worth less, of course, than if it were growing, but it is not worth zero. The issue with growth rates and debt is more about debt capacity than debt per se. All else equal, debt capacity goes up when growth rates are higher, and when interest rates are lower. The real issue, in my view, is that we have too much (interest-bearing) debt for the economic system and the planet to handle, and more than individuals and societies can handle. But today's ultra-low real interest rates mitigate the gap. Mellor's prescription for public money no doubt will be part of the solution when we finally come to grips with the mother of all debt write-downs we will one day no longer be able to avoid. When this day of reckoning will arrive (has been predicted for a long time) and how that will work continues to baffle my mind. For now, whether in Greece or the State of Illinois pension system, or with American student loans, we kick the can down the road, with unquantifiable human and ecological costs.

About the Author



John Fullerton, the Founder and President of the Capital Institute, is a recognized new economy thought leader and an active "Impact" private investor. Previously, he was a Managing Director of JPMorgan, where he managed multiple capital markets and derivatives businesses around the globe and then ran the venture investment activity of LabMorgan as Chief Investment Officer through the merger with Chase Manhattan Bank in 2001. He served as JPMorgan's representative on the Long Term Capital Management Oversight Committee in 1997-98. He is a co-founder and director of Grasslands, LLC, a holistic ranch management company with the Savory Institute; a director of New Day Farms, Inc., the New Economics Institute, and Savory Institute.org; and an advisor to RSF Social Finance, Richard Branson's Business Leader's Initiative ("B Team"), and Armonia, LLC.



Gwendolyn Hallsmith

Mary Mellor’s call for public money and robust, democratic, transparent money issuance can be seen as what Star Trek refers to as “the final frontier” in our efforts to create a resilient, sustainable world. I wholeheartedly agree with her public money solution, yet sadly lack her confidence in centralized, party-driven, representative global governance. I imagine she might be a Star Trek fan, with a secret hope that the Federation can save the day.

I have to confess that I was immediately on guard with her abstract’s first sentence, which relegated “local initiatives” to the sidelines, claiming that they can only lead to modest gains, not large-scale transformation. Why are we so enamored with large scale in the first place? I have begun to see anything larger than human scale as part of the problem, not part of the solution. Particularly when it comes to democracy. (I am writing from the US, where we are suffering from extreme inequality’s impact on large-scale democracy—and the best government our corrupt and debt based money can buy).

Beyond the initial assumption about local initiatives, she actually doesn’t talk at all about why large scale is needed, even in the quest for public money—she seems to conflate “public” with large, central states. Public comes in many flavors, after all, and the Sparkasse public banks in Germany have demonstrated that some level of public money is possible at a small scale. Indeed, there is no town too small in Germany to host one of these independent, networked public banks. Here in bucolic Vermont, we have been working with some success to get a Vermont State Bank, which would wrest a portion of the money issuance authority from the large, private banks.

My experience here, however, has shown me that the large powers—the globalized corporations, their partners in globalized banks, and their hapless cronies in neoliberal academia—have set numerous obstacles on the road to Money for the People, and these obstacles need to either be overcome or rendered obsolete before a large-scale transformation is possible. Overcoming them is

nearly impossible: they control the media, the money supply, the armies, navies, courts, and legislatures. The rewards they offer their adherents—unlimited wealth, power, and privilege—are too strong a potion, even if it is only a pipe dream.

Three years ago, twenty cities and towns in Vermont voted to direct the state legislature to establish a Vermont State Bank. Our cities and towns make decisions using the closest thing to direct democracy, where every registered voter has a right to vote on budgets, laws, and other propositions. Did the legislature take this democratic input and act? Not really. We still do not have a state bank, even though they threw us a bone where 10% of the money in the big banks is now loaned directly into the Vermont economy. This year, when we went to the legislature with the successful (and profitable) experience of that program as the wind at our backs, we ran into a stone wall.

This is precisely because in addition to the growth imperative and inequality machine the current monetary system imposes, as Mellor very carefully and accurately documents, the artificial scarcity and hoarding the system requires pit the “haves” against the “have-nots,” and the people in power—the elite—know on which side of the toast their bread is buttered, and do not lift a finger to help us, even when their political party has public banking as a plank in their platform. My faith in parties has died with my faith in large-scale democracy, I’m afraid. They are not public, they are not democratic, and they need to die a rapid and final death.

Lest you imagine that my despair at the progress on the road to Money for the People has left me bereft, take heart. I believe we are on the cusp of the old system being rendered obsolete, much, much easier on some levels than overcoming the powers by fighting them directly through democratic organizing and legislative action. I am not giving up on that; rather, I am just saying that it is necessary but not sufficient.

I have seen the future, and it is block chaining its way into the heart of the human value system, where things with true meaning and value can thrive again. Mellor does not even mention the advent of new value-embedding technologies like Bitcoin, Ethereum, Lite Coin, and the new smart contracts. While they are encrypted now in the labyrinthine interwebs, their principles and practices can apply universally, and I would argue even without the complex and sometimes impenetrable technology.

My prediction is that these systems will restore sovereignty to human-scale communities once again, and we will be free from large-scale totalitarian domination and impoverishment. They can be at once both private and public—the new transparency makes it possible to keep watch on their “amplification” and development. The distributed ledger is at once both local and global. Local iterations can spring into existence using highly democratic and time-tested issuance and conflict management practices. Their identity certification and transaction transparency can pave the way for direct, not party, democracy at all scales. The UN has just issued payments in a refugee camp in Ethers, for example, demonstrating that global and local can work together directly and effectively for the common good.

Public, private, global, local, large and small—all of these demand definition and rethinking if we are to transcend the bitter and outdated paradigm that is driving the planet toward rapid human extinction. Neoliberal economics and their elitist partner in representative democracy are well past their shelf life—let’s bring on the new day already. Beam me up, Scotty.

About the Author



Gwendolyn Hallsmith is founder and executive director of Global Community Initiatives. She is the author of six books on sustainable community development and has worked all over the world to foster local economies, good governance, and healthy ecosystems. She founded Vermonters for a New Economy to work on economic solutions at the state level, and the Headwaters Garden and Learning Center, an ecovillage in Cabot, VT. She has a master’s degree in Public Policy from Brown University.



Jonathan Harris

It seems to me that the critical issue, as stated by Mary is the following:

Control of the money supply and, more generally, the monetary system confers a tremendous amount of power. Can we entrust the state with it? Neoliberals warn of the dangers of state intervention in a market-based system. Proponents of social and local economies likewise harbor suspicions of the state, particularly its distant and opaque bureaucratic apparatuses. But without an expanded role for the state, many people will continue to fall through the gaps in the market and voluntary sectors. However, since many states have proven to be inefficient, corrupt, and autocratic, a public money system would be acceptable only if it were more robustly democratic.

This makes me a little wary of schemes for 100% reserves, state management of loans and mortgages, etc., especially if proposed as panaceas for excessive throughput growth, climate change, and other ecological destruction. The vast and urgent problems we face require policy solutions at every level: community, businesses and cooperatives, state and local, national, global. Major progress on this is essential, and if accomplished, will undoubtedly affect monetary systems, from local currencies to national central banks. But it seems to me that progressive reform and “robust” democratic initiative comes first, and can accomplish a lot through specific initiatives, local cooperative institutions, and state and national-level regulation, plus perhaps the creation of state public banks, even within the current monetary system. But until there is significantly more progress, we should be careful about some of the Fed-bashing rhetoric coming from the right as well as the left. Direct control of monetary policy by the current US Congress would be an unmitigated disaster, for example. Publicly created money can easily be used for military expenditure, destructive fossil fuel-based development, large-scale corruption, etc., and with the current administration, these would be significant threats.

This is not to argue against the positive vision set forth by Mary Mellor and with variations by many of the commentators, just to sound a note of caution about the need to focus on developing a movement to support practical and positive policies, and letting the monetary implications follow these. For example, large-scale provision of credit for the installation of solar systems on a no-money-down basis would be enormously beneficial, but can be done at various levels of government through budget process as well as based on private/community initiatives without a scheme for the central bank to provide such funds directly.

About the Author



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Alf Hornborg

Mary Mellor is absolutely right that we need to understand that money is both a social construct and an active force, which means that it can be redesigned so as to promote quite different social and ecological processes than those generated by the current money system. She is justified in proposing that the creation of money should be democratically controlled through the state, and that this would make it possible not only to liberate us from the exigencies of debt and the compulsion to achieve economic growth, but also, for instance, to provide all the inhabitants of a nation with a basic income. Beyond the conceptual constraints of conventional economics, this perspective allows us to see that the rules of the economic game are as arbitrary and potentially mutable as the rules of any other game designed by humans.

Nevertheless, I would like to complement Mellor's crucial insights and proposals in a few ways. First, her assertion that it is not "money itself" that fuels exploitation and environmental destruction needs to be modified. As long as we are referring to what in economic anthropology is called "general-purpose money" (money that can be used to purchase virtually anything), money itself does indeed fuel exploitation and environmental destruction. If there are no constraints on what we can buy with our money, we shall naturally be looking for the best deals, which usually means the lowest-paid labor and the lowest-priced resources. The globalized capitalist market is thus an expression of the inherent logic of general-purpose money. This logic is the same regardless of whether such money is created by banks or states, and even regardless of the existence of interest. I continue to be baffled by how we tend to be prepared to modify every conceivable aspect of how money is used, but not the idea of money itself.

Mellor writes that "some form of money has been around in almost all human societies." Yes, but not the particular form of money that developed in colonial Europe. The destructive implications of general-purpose money were evident to critics of market economies from Marx to Polanyi.¹ The

logic of such money is distinctly different from the “special-purpose money” that was identified, for example, among the Tiv people of Nigeria. Precolonial Tiv, like most traditional cultures, recognized more than one sphere of value.² Whatever kind of money that existed, it could not readily buy everything. When Mellor writes that it is difficult to envisage societies without “some mechanism to facilitate comparisons of value,” she does not reckon with the possibility of recognizing such cultural limitations of commensurability.

Mellor’s point that money is a social construct means that it is potentially possible to democratically design a money system that recognizes limits to commensurability. To take a couple of drastic examples, it would be possible to decide that rainforests are not exchangeable on the same market as Coca-Cola, or that food in the Global South is not purchased with the same kind of money as is used for financial speculation on Wall Street. A system of separate currencies for basic needs versus global markets would insulate values pertaining to sustainability and survival from the abstract capital flows of the world system. It could thus serve to check exploitation and environmental destruction.

Second, I find it problematic to speak, as Mellor does, of things with “use value,” “social value,” or “little or no value.” Value is always in the eye of the beholder. We need to clearly distinguish between the biophysical properties of a given item, on the one hand, and its value for specific humans, on the other. There is no universal standard for judging whether a particular item has “use value,” “social value,” or no value at all. Value is a thoroughly cultural phenomenon. This means that we need to think about economy and ecology as analytically separate, even though we know that they interact in practice. In doing so, for example, we can see that we tend to value things higher the less of the original energy that is left in a set of resources transformed in production.³

Mellor is definitely on the right track. The planet will not be saved by trying to get the colonial outlook of mainstream economics to somehow accommodate the Second Law of Thermodynamics.⁴ Nor will it be saved by a socialist revolution that collectivizes ownership but continues to think in terms of money and exchange value. Money is not just a reflection of the relations of production, but an artifact that operates as an active force in organizing such relations. To change the logic of the global economic game, we must change money itself.

My third point, then, is that the basic income to which all of us should have a right should not be paid in general-purpose money, because that would simply keep us buying the products of the lowest-

paid labor and the most degraded landscapes.⁵ It should be paid in a special-purpose, complementary currency that can only be used to buy products and services produced within a specified radius of the point of purchase. This is not “local money” in the sense of geographically restricted currencies, but one single, national currency—issued by the state—that is only for local use. There is no space here for listing the many social and ecological benefits of such a reform, but it would be quite in line with Mellor’s general understanding of money as our main—perhaps only—chance of achieving sustainability, justice, and resilience.⁶

Endnotes

1. In his book *The Great Transformation* (Boston: Beacon Press, 1944), Karl Polanyi argued that the idea of the self-regulating market, unless checked by society, would logically lead to increasing exploitation, environmental degradation, and economic instability. Decades of neoliberalism have proven him right.

2. The economic anthropologist Paul Bohannan in the 1950s showed that the Tiv economy was organized around three separate “spheres of exchange,” and that some conversions between separate spheres of value were morally discouraged; see Paul Bohannan, “Some Principles of Exchange and Investment among the Tiv,” *American Anthropologist* (February 1955): 60–70.

3. This was pointed out by Nicholas Georgescu-Roegen in his 1971 book *The Entropy Law and the Economic Process* (Cambridge, MA: Harvard University Press).

4. The Second Law of Thermodynamics, also called the Entropy Law, states that the energy and matter of an isolated system will become more disordered and inaccessible over time. As Georgescu-Roegen (*The Entropy Law*) showed, this implies that an economic production process will simultaneously increase economic value and physical disorder; see reference in note 3.

5. In choosing the least expensive products, consumers inadvertently encourage production processes that not only employ the lowest-paid labor, but that also show the least concern for the environment, which often means the most lax environmental legislation.

6. I have elaborated this proposal in the following article: “How to Turn an Ocean Liner,” *Journal of Political Ecology* 24 (2017): 623.

About the Author



Alf Hornborg is an anthropologist and Professor of Human Ecology at Lund University. His research focuses on theorizing the cultural and political dimensions of human-environmental relations in different societies in space and time. His books include *The Power of the Machine*; *Global Ecology and Unequal Exchange*; *Global Magic*; and *Nature, Society, and Justice in the Anthropocene*. He has also co-edited several collections at the intersection of anthropology, environmental history, political ecology, and ecological economics, including *Rethinking Environmental History*, *The World System and the Earth System*, and *Ecology and Power*. He holds a PhD in cultural anthropology from the University of Uppsala.



David Schweickart

Many thanks to Mary Mellor for such a provocative paper. Let me confine my own provoked (and maybe provocative) response to four points:

(1) I agree with Mellor that we need a public banking system. We do need to “reclaim money for the people.” Currently, the financial sector of our economy takes in more than 25% of all profits, only a miniscule amount coming from services that actually contribute to the general health and well-being our citizenry. We don’t need Wall Street anymore, certainly not one that has become so complex and opaque that meaningful regulation is impossible. We need a simple, transparent system, amenable to democratic control. Banking needs to be boring again—not a magnet for all the math and physics PhDs and other “quants,” who have flocked there during the last two decades.

(2) Mellor has been criticized for claiming that creating money through debt necessarily requires economic expansion. The criticisms are valid. We can have a sustainable economy that still permits interest-bearing loans, as the Barrington-Leigh model demonstrates. A more mundane example would be a steady state economy where people can buy homes before they have saved enough to pay full price, the mortgage-interest a service fee for this (enormous) convenience.

It is further claimed that we can have a capitalist economy that is steady-state. Models are invoked here too, but this conclusion is wrong. Yes, theoretically, a steady-state capitalism is possible—but not in the real world. The growth imperative of capitalism does not come from interest, but from the fact that capitalist stability requires, as Keynes noted, “investor confidence.” If private investors don’t see growth opportunities, they will save, rather than invest—or what amounts to the same thing, buy shares of stock in already-existing companies or other, more exotic financial “derivatives.” But if they don’t invest in the “real” economy, then “effective demand” for the goods and services produced in that “real” economy slumps, workers are laid off, demand drops further, the familiar

downward recessionary spiral. To be sure, the government can step in at this point—so as to get the economy growing again.

Investors must be kept happy under capitalism, and that means making sure that they, as a general rule, get more back than they contribute—which can happen only if the pie keeps getting larger. (Simply getting an ever-larger slice won't work, because—Keynes again—those with big slices will save far more of their share than those with smaller slices.) It is no accident that GDP growth gets so much attention in the business press—and by the Federal Reserve. They are not misguided.

(3) The fact of the matter is, we need a new system, one that takes us beyond capitalism. While local initiatives are extremely important, we need a system-change at the national level. (Not just here in the US, of course, but other countries too—though it's wrong to think that nation-states themselves must be superseded. We will need international cooperation to address the global problems we now face.)

To say that such system change is impossible in the foreseeable future is to say that we, as a species (or at least most of us) are doomed—notwithstanding the fact that we now have the resources and technologies, not only to avoid global climate change catastrophe, but also to create a sustainable world in which virtually everyone on the planet has a real chance to lead a healthy, happy, meaningful life.

Sorry. I don't buy that. The climate-clock is ticking—which is generating an increasing sense of urgency. I prefer to think of this as a miraculous moment.

To be sure, there is no guarantee that the bankers, traders, and assorted billionaires won't be able to block the transition that needs to happen, but even if they do, they won't "win"—unless living on Mars or in high-tech enclaves on a devastated planet counts as "winning." We'll all lose.

But not without a fight. The resistance is growing, and will only get larger. The game is far from over.

(4) My final point relates to some reservations about a basic income.

If people have more money, which they will if a basic income is introduced, they will consume more. But if there's less need to work, less will be produced. Prices go up—and with them rising discontent, particularly among those who are still working, who see themselves (correctly) as producing what they themselves—and those who have chosen not to work—consume.

It is preferable, I think, to have the government serve as an employer of last resort, so that everyone has a genuine “right to work.” Work is more than just about money. It’s also a matter of self-respect, and of making a tangible contribution to the public good.

Since we do need to reduce overall consumption (which beyond a certain point doesn’t make people happier anyway), we need large-scale, targeted investment planning (possible with a public banking system)—and an overall reduction in the length of the working day, so that meaningless work can be phased out, and useful work spread around. More leisure for all, not just for those choosing to opt out the workforce.

About the Author



David Schweickart is Professor of Philosophy at Loyola University Chicago. His primary areas of research are social and political philosophy, philosophy and economics, and Marxism. His main focus has been on developing and defending, as both economically viable and ethically desirable, a socialist alternative to capitalism, which he calls Economic Democracy. His research includes a large project on Third World poverty, determining what sort of economic structure a poor country should put in place in order to optimize genuine development over time for all its citizens, when not constrained by local elites or international interference. He is the author of three books and co-author of one, his latest being *After Capitalism* (2002). He holds a PhD in Mathematics (University of Virginia) and a PhD in Philosophy (Ohio State University).



Mary Sue Schmaltz

Mary Mellor's exploration of the nature of money and its role in the diminishment of socially and environmentally relevant values is well taken. Active participation from local, regional, and national governments will be imperative to any endeavor to transform monetary structures. However, it need not be expressly a centralized governmental function.

Currency expert Bernard Lietaer has long argued that we could redesign our system of money in a manner that would be more socially beneficial if we were to shift the money "target" away from the competitive model towards more socially viable aims. Ultimately, Lietaer believes the answer lies in designing complementary forms of local currencies to work in tandem with our conventional currency systems. Lietaer also introduced the idea of a global currency called the Terra, which would be comprised of a combination of various commodities and international services. Creating a standardized basket of the prominent commodities and services, he believes, would incentivize long term thinking and would better stabilize the global business cycle as it would be more inflation-proof.

In line with Mellor's idea of public money is the idea of utility banking. Banking expert Martin Mayer notes the significance of the fact that banks no longer act like social institutions rooted in their communities with direct relationships to their depositors and borrowers. Now banks are businesses who sell off their loans severing the relationship between borrower and lender while shifting risks onto the public. Suzanne McGee in her book *Chasing Goldman Sachs* likened the money grid to an electrical grid. Just as we have electric and water utilities, McGee proposes that we need a banking utility. When liquidity dries up, it can be just as devastating as a water or electrical shortage.¹ Playing off the proposed public option for health care, Ellen Brown in her book *Web of Debt* suggests that we consider a public option in banking. Instead of taking profits out of the community system, the

public banking system would be better positioned to reinvest in the community. An example of such a successful regional bank already exists—the Bank of North Dakota, which is owned by the state.²

It is vital that we directly address not just the creation and control of the currency itself, but the whole system of money and finance—including accounting rules, taxation, regulations and other metrics which incentivize or discourage certain types of activities. Rana Foroohar, in her book *Makers and Takers: The Rise of Finance and the Fall of American Business*, does a great job of examining how the incremental rise of hyper-financialization and commodification have diverted resources away from activities that promote overall well-being.³

Former British banking regulator and chairman of the Institute of New Economic Thinking Adair Turner, in his book *Between Debt and the Devil*, notes that a mere 15% of the global financial flows are applied to the real productive economy. The rest relates to fabricated values derived from financial engineering and manipulations, divorced from the real productive economy of products and services.⁴ These values are truly representative of the “something from nothing” to which Mellor refers. It’s not just that financial values are widely disconnected from human and ecological values. These values are not even in line with sound economic values. When companies such as Apple borrow funds to buy back shares in order to artificially prop up their share prices rather than innovate, the distortion becomes obvious.

Exacerbating the distancing of economic values from life-affirming values is the fact that finance today is driven by complex algorithms. Quantitative expert Paul Wilmott has been sounding the alarm loudly about the role of complex algorithms in financial risk and value distortion. He explains, “If you used the wrong model to design airplanes, you’d kill passengers and end up in prison. But do the people using financial risk models care what happens? Of course they don’t.” Value at Risk, the dominant risk measurement used by the financial industry, certainly proved fatal to global financial health leading up to the financial crisis of 2008. Skewed financial modeling is still the driving force of economic values.

We also need to be careful not to simply monetize certain altruistic or caring activities. Technology exists today for exchange systems that make it possible to maintain the integrity of such activities. For example, BiologicTx has developed a kidney transplant chain, whereby the system identifies willing donors to compatible matches without financial gain. Say a person needs a kidney transplant and a

loved one would readily offer one of their kidneys, but they are found to be biologically incompatible. The altruistic intent remains intact to mutual benefit as the willing donor is still giving a kidney to get a kidney for their intended recipient. As we struggle with financing the needs of our aging populations, we might consider a Japanese approach known as the *fureai kippu*, which roughly translates into “caring relationship voucher.” People volunteer as caregivers to the elderly and receive credits.

All in all, I very much appreciated Mary Mellor’s paper. It offers a great starting point for delving deeper into discussions about the monetary system. How do we connect people to services and products? How do we preserve the quality and create universal access to life-giving resources? What will be the new nature of livelihoods and market participation in this era of automation and worker obsolescence? We can begin by linking financial values to real life on the ground. Local circles of economic activity should be nested within the global system, not smashed down by the top-heavy nature of our dominant money systems.

Endnotes

1. Suzanne McGee, *Chasing Goldman Sachs* (New York: Crown Publishing Group, 2010).
2. Ellen Brown, *Web of Debt: The Shocking Truth about Our Money System and How We Can Break Free*, 5th revised ed. (Baton Rouge, LA: Third Millennium Press, 2012).
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About the Author



Mary Sue Schmaltz worked in various New York–based financial institutions in the area of global institutional investments and for the past few years has been actively engaged in promoting new economic and business models that prioritize quality of life. She writes on socioeconomic issues with a focus on the core systemic impediments to socially responsive economic practices and well-functioning financial markets. Presently, she is part of the writing team for Mary Kogut Lowell Professional Writing and Legal Services and is an advocate for the elderly as a Certified Senior Advisor and an Ombudsman for Long-Term Care.



Author's Response



Response to Comments

First, I would like to thank everyone for their responses. I found them both helpful and challenging. It was particularly encouraging that the topic of money was seen as important, even if the perspectives varied. In my response, I want to focus on a few key themes.

Large-Scale Public versus Human-Scale Social

This dichotomy was picked up by a number of people. I agree with Gwen Hallsmith's point that "public, private, global, local, large and small—all of these demand definition and rethinking." This is as true of assumptions about the local and social as it is of the large and public. Is small always good? What will be the ownership patterns of local economies? Is the core assumption that they are market systems? The fact that British "building societies," akin to credit unions but focused on home mortgages, are social banks did not save them from privatization or the German public banks from dabbling in securitization.

I think the pessimism about political parties, the state, and public structures generally plays into the hands of market fundamentalists. This is not to ignore the limits and failures of the public sector. What we need to do is socialize public money and ensure that social money has a public focus. Who will care for the elderly in the decentralized economies? Who will train the medics? I focus on public, national currencies because that is where we are now. It is the point from which the transition must begin. An alternative scenario would be to abandon national money systems in favor of a plethora of local monies, but I don't think that would be wise. If we are to see local initiatives as parallel or complementary, then this must assume they are parallel to a continuing public currency. In that case, we need to have a perspective on how the public currency would operate both in the transition and in the future.

Although my essay focuses on money, my underlying proposition is about the nature of the economic system. The circulation of social money leaves open the fundamental nature of the economy. Is it a self-organizing market based on individualized choices, or is it a social/public provisioning system involving collective decision-making? If it is a market, then the social money is purely a medium of exchange. This fits well with the emergence of cryptocurrencies. Is it possible to have more socially responsive markets as several people suggest? Can the blockchain model or innovative commons-based systems such as crowd funding, peer-to-peer networking, or open-platform cooperatives provide a decentralized alternative to the private market? Do they still depend on individualized spontaneity, or can they produce coordinated provisioning systems?

The process that dares not speak its name in this neoliberal world is planning. The core assumption of my perspective is that there is a need for a democratically planned public economy that would be organized through the allocation of publicly created, debt-free money. This is not the same as wholesale nationalization of the economy. A major area of debate would be what is appropriate to be delivered through some version of the market (hopefully transformed by all the innovative ideas above) and what should be provisioned through the public sector. For me, the important potential of public money is that it allows for democratic planning in decisions about how money is to be allocated or spent.

I hope it proves possible to build from the ground up as many of the suggested approaches envisaged. I see my focus on democratizing and decentralizing from the top down as supportive of these initiatives not in competition with them. The British Labour Party has benefitted from a strong historical relationship with the consumer cooperative movement. The social economy also can (re)emerge when states and markets fail.

Reforming Money

Some commenters proposed issuing new currencies or providing basic incomes, or even a combination. Alf Hornborg suggests that a basic income should be issued by the state in a currency that can only be circulated locally. He sees this as overcoming the problem of having public currencies as general purpose money that can be used in destructive ways. David Schweickart, by contrast, outlines his reservations about a basic income, and although supportive of a basic income, I share such concerns. The danger is that it dissipates without producing either an individual good or public

good. What matters are the provisioning structures that exist, and these cannot be created by the mere distribution of money. I also worry how the coordination of the currency conversion process would work in a system of so many currencies. My approach is to keep the general purpose money and deal with destructive uses through regulatory and fiscal measures. As Hornborg himself argues, what is important is the value system that underpins the currency.

What and How

Several commenters emphasized the need to clarify the “what” and the “how.” The “what” for me is the public money system and the public economy—in short, funding public welfare and public provisioning (services and infrastructure). I don’t see this as the only focus for change and transition, or even a determining one. However, I think it is an important one and a major area of challenge to neoliberalism. Public welfare has been undermined by a shift to a blame culture rather than an entitlement culture (i.e., the widespread belief that people are in need through their own inadequacies). Neoliberalism promotes the view that welfare is unaffordable, public services are inefficient, and taxes are voluntary.

Although I imagine the respondents will have little sympathy with neoliberalism, some expressed reservations about public money, representative democracy, and large-scale structures generally. I think what matters is wellth—how can the goods and services people need for wellbeing and flourishing be provided. What structures will best serve the most needy/troubled members of society? What happens to those who are sick or have disabilities, those who are old with no family, those who are poor, or those off the net with no computer literacy? Until I am convinced that the techno-optimists of the blockchain and open-source era have a strategy for those “others,” I will defend the principle of a comprehensive welfare state. And funding that state is a key issue.

The “how” is twofold. The first is campaigning for social justice and the right to livelihood for all (including other species)—promoting sufficiency provisioning for all and reversing the emphasis on individualism and bootstraps (shared by conservatives and progressives in their different ways). This cannot be done on a purely ad hoc basis: policy and planning will be necessary. None of this is new, however, as there have been welfare campaigners for centuries.

The second “how” is overturning neoliberal ideology and neoclassical economics. I am often described as a monetary reformer, but I consider myself more a monetary rethinker. While there is certainly need for a new approach to monetary policy, I see this as being based on how money really works rather than prevailing economic myths. What I have tried to show in my books is that public money does exist, states do print money, money is not in short supply, public expenditure does not rest on taxation, the public sector is not funded by the private sector, banks do not link savers and borrowers, a debt-based money supply is not viable, public sector deficits (surplus expenditure) are usually a good thing—among many other points. Rethinking alone cannot achieve change—this will come from the exposed failures of current thinking and practice, if we are ready with an alternative analysis and framework for action.

The Interest Problem

The question of the relationship between debt, interest, and destructive economic growth provoked major disagreement. I asserted several times in the paper that there is a link between the three. I was referring to what seems to be a commonsense notion that if all the money supply is created as interest-bearing debt in total, then the banks must always want back more money than they create. People have to find the money to repay debt, and this encourages destructive forms of growth. Evidence and modelling seems to disprove both ideas. Clearly, debt-based money expansion can occur without triggering more resource damage—as in the example of the growth in finance. Peter Victor and Tim Jackson have shown that debt-based money creation does not trigger growth. I don’t think these reservations undermine my other two critiques of a debt-based money supply. It is socially unjust as only the “credit-worthy” (according to the banks) can access new money, creating “left behind” people and communities. And it is economically unsustainable because it is crisis-ridden. A credit crunch threatens the money supply requiring the state to step in, thus revealing the myths of market adequacy and state dependence. Moreover, I don’t think a capitalist steady state economy is possible for the reasons David Schweickart says: investor confidence and constant demand are key drivers.

How Should Money Be Created?

In the same way that banks create money when they lend, states create money when they spend. The idea that banks create money through loans is becoming generally accepted; that states create money when they spend has yet to be widely recognized. States do “print money” as they spend, but this only

becomes obvious if public expenditure is not matched by a retrieval of that money through taxation (balancing the books). The fact that surplus expenditure (deficit) is recognized and allowed even by the neoliberal EU Maastricht Rules shows that money creation through public expenditure takes place. Public borrowing to cover any deficit is post hoc and is a monetary rather than a fiscal exercise.

It is therefore the democratic demand for public expenditure that will drive money creation. The level of tax retrieval will be a major determinant of the size of the private sector. Any public expenditure not retrieved will either be held as savings/investment or spent in the market sector. This would have repercussions for the balance of payments if there were no controls. As Schmaltz points out, Bernard Lietaer's solution is to have a separate global currency, particularly as most current global monetary transactions are purely speculative. In my recent book, I make a similar suggestion.

Schmaltz also favors alternative forms of exchange to avoid the monetization of care and other altruistic activities. As with my earlier comments about alternative internal currencies, I am not sure if this will solve problems or prove a bureaucratic nightmare as different types of currency butt up against each other. My hunch is that it may be simpler to minimize the number of currencies but make their use more democratic. This would include making the rules and regulations under which the market operates a matter for public debate. This could include social, public, or commercial banks. Whether these operate on the basis of revolving loan funds or money creation would, again, be a matter for democratic debate. I think the difference between my approach and that of most monetary theorists is that they see the market as the predominant economic form whereas I see the public economy as more important (including within the present system). For example, modern monetary theory (MMT) sees public money creation as supportive of the market sector in its role as employer of last resort. I would see money creation as enabling social and public provisioning as employment of first resort.